



Employees' Retirement Board of Rhode Island
Monthly Meeting Minutes
Wednesday, March 11, 2015
9:00 a.m.
2nd Floor Conference Room, 50 Service Avenue

The Monthly Meeting of the Retirement Board was called to order at 9:10 a.m. Wednesday, March 11, 2015, in the 2nd Floor Conference Room, 50 Service Avenue, Warwick, RI.

I. Roll Call of Members

The following members were present at roll call: Treasurer Seth Magaziner; Vice Chair William B. Finelli; Gary R. Alger, Esq.; Daniel L. Beardsley; Roger P. Boudreau; Michael R. Boyce; Mark A. Carruolo; Michael DiBiase; John P. Maguire; John J. Meehan; Claire M. Newell; Louis M. Prata and Jean Rondeau.

Also in attendance: Frank J. Karpinski, ERSRI Executive Director and Attorney Michael P. Robinson, Board Counsel.

Recognizing a quorum, Treasurer Magaziner called the meeting to order.

Treasurer Magaziner suggested a change in the agenda's order relative to consideration of the Executive Session minutes. Attorney Robinson asked that the Board consider a motion to move discussion and approval of the Executive Session minutes of February 11, 2015 to Item 7 under Legal Counsel Report as the Board will also consider convening in Executive Session to discuss the Gerard Martineau matter.

On a motion by Roger P. Boudreau, and seconded by John P. Maguire, it was unanimously

VOTED: To move the discussion and approval of the draft executive session minutes of February 11, 2015 to be considered in connection with the Legal Counsel Report.

II. Approval of Minutes

On a motion by Gary R. Alger, Esq., and seconded by William B. Finelli it was unanimously

VOTED: To approve the draft minutes of the February 11, 2015 meeting of the Retirement Board of the Employees' Retirement System of Rhode Island.

III. Chairperson's Report

Treasurer Magaziner apprised the Board that Chief Investment Officer Anne-Marie Fink would provide the December 31, 2014 fiscal year update of performance on investments.

Ms. Fink said she would be providing a performance update on the defined benefit plan for the quarterly and calendar year as of December 2014 and representatives from TIAA-CREF will discuss the Defined Contribution (DC) plan.

Ms. Fink asked the Board to refer to page 23 of the January 31, 2015 State Investment Commission (SIC) report provided in the Board book relative to the Risk Overview. She compared the risk and return performance of the total plan, total plan benchmark and the 60% equity/40% fixed income basic allocation. In terms of performance, she noted the total plan benchmark was on target and was pleased with the 9% annualized return over the last 3 years.

Ms. Fink noted the quarter ending December 2014 was a difficult one in the equity markets, specifically the month of December. She mentioned the portfolio gained approximately 6/10 of a percent for the quarter, which was in line with the plan benchmark and a bit behind in the 60/40 allocation, due to the strong performance of bonds in December. For calendar year 2014, she said the fund was up 4.5%, slightly more than the SIC's benchmark and a bit behind the 60/40 allocation. Ms. Fink said the SIC's fiscal year-to-date return was negative 4/10 of a percent due to the market's activity; these results are a bit better than the plan benchmark and in line with the basic 60/40 allocation.

Ms. Fink noted that US equities, core fixed income and hedge funds were positive contributors on a fiscal year-to date basis.

Ms. Fink then introduced Messrs. Laurence E. Brown, Director and Institutional Investment Strategist, and David Iden, Relationship Manager, both from TIAA-CREF Financial Services.

Mr. Iden provided a summary of the 401(a) DC Plan stating that the total plan assets are \$338 million as of December 31, 2014, growing approximately \$10 million every month. He noted that 92% of assets are in Vanguard Lifecycle trusts. The total contributions on a rolling 12-month period were \$127,830,768. He provided a breakdown of participants, noting that a majority of participants (57%) are between mid-career and retirement age. Mr. Iden stated that the total participants, both active and retired, in the plan are 32,524. He discussed the plan assets by investments, which are a mix of active investments and index funds, and noted how participants' average asset balances now exceed the \$10,000 mark. He mentioned \$28 million or 8% of the total plan assets are invested outside of the Lifecycle product.

He noted there is an increase in secure web identifications and secure web logons is resulting in less incoming telephone calls. The calls that do come in are mainly for education and advice for specific investment vehicles. Mr. Iden reviewed the ongoing counseling sessions provided by TIAA-CREF and said they offered and scheduled 707 individual sessions in 2014, of which there were 476 completed counseling sessions. Additionally, TIAA-CREF has hosted 5 benefit fairs and 12 seminars and workshops.

Mr. Maguire asked Mr. Iden regarding page 12—*Field Consulting Group activity as of December 31, 2014*--if there is an established benchmark regarding the total number of offered counseling sessions per year. Mr. Iden said he will obtain this information to provide Mr. Maguire. Treasurer Magaziner said that Mr. Maguire's inquiry was asked at last month's SIC meeting and noted that scheduled appointments are made by employer groups where some slots are not filled and are not a reflection on the number of days offered but rather trying to provide as many slots as possible to accommodate schedules. The Treasurer stressed the importance of coordination with employers in setting up counselling sessions for participants.

Next, Mr. Laurence Brown discussed the 2014 year-to-date performance. Mr. Brown said TIAA-CREF offers 12 options and noted the options permit participants to fully participate in the market. He noted the Target Date funds which are passively managed

(index funds with low cost options) had returns ranging from 0% to 13% for the U.S. equity portfolios.

Mr. Brown talked about the year-to-date returns for the passively managed funds, noting the very competitive ranking versus peer returns. Mr. Brown said the net expense ratios and returns ranked well amongst peers. In summary, he said there is a good coverage of the broad asset classes in a very competitive fee structure largely through passive options. He did note that the inflation-protection securities had not much of a return as there wasn't much inflation last year. Mr. Brown noted that active management did not do as well as passive managed funds in the past year. He did say the International Equity Markets were negative as the dollar strengthened amid struggles in Europe. He noted the real estate account had a 12% net rate of return, which is driven by appreciation and is unsustainably high. Mr. Brown said the returns range from 5.68% to 7.25% on the Vanguard Target Retirement funds.

Update and/or Discussion of Current Pension Reform Litigation

Treasurer Magaziner asked Chief Legal Counsel Attorney Jeffrey Padwa to update the Board and he apprised them that the trial date is scheduled for April 20, 2015 despite the fact that all parties had asked for a continuance, which request was denied by the Judge. The Judge had previously consolidated all the 9 lawsuits for trial together and said there will be a jury trial. The System recently briefed and argued a motion regarding whether the plaintiffs or defendants have the burden of proof on the justification elements; Attorney Padwa said that will be procedurally an important decision. He said on March 26, 2015, the Judge will hold hearings on motions for summary judgment which are legal arguments that the parties are making regarding their claims. Attorney Padwa then said that the State is in the process of exchanging documents and the State has accumulated over 6 million emails that are being sorted to be produced to the plaintiffs. Attorney Padwa apprised the Board that Attorney John A. Tarantino has indicated that despite the non-ideal time line, he will be ready for trial.

Mr. Alger asked Attorney Padwa if we are continuing with settlement negotiations, and Treasurer Magaziner said yes and that he has been in contact with all the parties as Attorney Padwa has and is hopeful to reach a deal.

IV. Executive Director's Report

Director Karpinski apprised the Board that they were in possession of the Disability Subcommittee Report as well as the February 2015 *Pension Application Report*.

Director Karpinski updated the Board on the "*Report of Contributions*" delinquency report in the Board book. He noted that the Town of Bristol, Bristol Police, Bristol Fire Department, Town of Bristol EE Highway, Town of Middletown, Town of Cumberland, Town of Foster and Foster Police Department are all current. The Director also noted on the Teachers Report that the Urban Collaborative Schools and Sheila C. Nowell Leadership Academy are also current. Remaining of the outstanding are both the Union Fire District and the ongoing Central Coventry Fire District. For those remaining owed contributions, the normal collection of funds procedure will be initiated if payment contributions are not received today.

Director Karpinski updated the Board for the Annual Retirement Board Fiduciary Training and Continuing Education Session with date choices of April 10, 2015 and or May 15, 2015. He asked to get feedback if those dates are conducive; and if not, to let him know and he will try to accommodate other dates.

Director Karpinski apprised the Board that the Cyber and Privacy Insurance application report has been completed, and AIG has been chosen. The Director said he will keep the Board informed of its implementation.

Mr. DiBiase asked what the status was regarding the Central Coventry Fire District. Attorney Robinson said ERSRI is preparing to submit a proof of claim to the bankruptcy court on or before March 31, 2015, and at that point will know what portion, if any, of that claim is to be contested.

V. Administrative Decisions

None this month

VI. Approval of the February Pensions as Presented by ERSRI

On a motion by Jean Rondeau and seconded by Roger P. Boudreau, it was unanimously

VOTED: To approve the February pensions as presented.

VII. Legal Counsel Report

Attorney Robinson said that a motion to convene in executive session would be in order pursuant to RIGL §42-46-5(a) (3) with respect to approval and consideration of the executive session minutes as they relate to matters involving security, including but not limited to the deployment of security personnel or devices, and Rhode Island General Laws §42-46-5 (a) (2) regarding the *Gerard Martineau* matter as it involves potential litigation by the Board. A motion was made by John P. Maguire and seconded by Roger P. Boudreau to convene the Board in Executive Session to discuss the identified litigation matters on the agenda.

A roll call vote was taken to enter into Executive Session, the following members were present and voted Yea: General Treasurer Seth Magaziner; Vice Chair William B. Finelli; Gary R. Alger, Esq.; Daniel L. Beardsley; Roger P. Boudreau; Michael R. Boyce; Mark A. Carruolo; Michael DiBiase; John P. Maguire; John J. Meehan; Claire M. Newell; Louis M. Prata and Jean Rondeau. It was unanimously

VOTED: To convene the Board in Executive Session pursuant to Rhode Island General Laws section §42-46-5 (a) (3) with respect to approval and consideration of the executive session minutes as they relate to matters of security including but not limited to the deployment of security personnel or devices, and Rhode Island General Laws section §42-46-5 (a) (2) to discuss the matter of *Gerard M. Martineau* – CR07-129ML involving potential litigation by the Board.

[Executive Session]

The Board thereafter convened in executive session.

[Return to Open Session]

Upon returning to open session, Board Counsel Michael P. Robinson noted for the record that three unanimous votes had been taken in executive session. He noted that the first vote was to approve and reseal the February 11, 2015 executive session minutes pursuant to Rhode Island General Laws 42-46-5 (a) (3). The second vote was to authorize Board Counsel Michael P. Robinson Esq., to proceed with initiation of a

lawsuit pursuant to R.I.G.L. §36-10.1-1, et seq., the Public Employee Pension Revocation and Reduction Act (PEPRRA) against Gerard Martineau. The third vote was to exit executive session and return to open session.

Attorney Robinson then updated the Board on new filings during this month. The first was by Robert Lincourt, a North Providence firefighter seeking an accidental disability pension based on cancer who appealed the Board's denial to Superior Court. The second was Regina Socree, a community living aide from BHDDH who also filed an action in Superior Court. Attorney Robinson also noted there are 3 pending pension revocation cases. The first is Charles Moreau, the former mayor of Central Falls, in which the Court approved an agreement for judgment and suspended his pension benefits and authorized the return of his contributions. Secondly, Rachel Arruda, a Woonsocket employee convicted of converting funds to her own use, had her pension suspended by the Court pending adjudication of the action on the merits. Lastly, Fred Randall, Jr. a former URI employee who was convicted of converting funds to his own use, also had his pension suspended pending adjudication of the action on the merits.

Mr. Boudreau asked for an update on Mr. Paul Labbadia, the North Providence Fire retiree and current Coventry Fire Chief. Director Karpinski said a letter has been drafted and is being reviewed. He said the letter would address obtaining what contributions would be required for his status in Coventry Fire as an active member.

VIII. Committee Reports

Disability Subcommittee:

The Disability Subcommittee recommended the following actions on disability applications for approval by the full Board as a result of its meeting on Friday, March 6, 2015:

Name	Membership Group	Type	Action
1. Herminia Collado	Teacher	Ordinary	Postpone
2. Rosendo Vicioso	Teacher	Accidental	Postpone
3. Bruce Smith	Teacher	Ordinary	Approve
4. Kevin Lang	Municipal	Accidental	Deny
5. Magdalene Solomon	Teacher	Ordinary	Reaffirmed Employer will be notified that Ms. Solomon should be put on their employment recall list
6. Leo Lamarre	Teacher	Ordinary	Moved to accept the IME report Mr. Lamarre is still disabled
7. Frederick Lataille	Municipal	Accidental	Approve @ 66 2/3%

Name	Membership Group	Type	Action
8. David Cuccorelli	Municipal	Accidental	Approve @ 66 2/3%
9. Anna Smith	State	Ordinary	Approve
10. Dennis Falso	State	Ordinary	Approve
11. Robert Lincourt	Municipal	Ordinary	Deny
12. Joseph Cuzzo	State	Accidental	Postpone
13. Robert Carpenter	State	Accidental	Approve @ 50%
14. Kathleen Gince	Municipal	Accidental	Postpone
15. Manuel Dasilva	State	Accidental	Approve @ 50%
16. Michael Ray	Municipal	Accidental	Postpone
17. Frank DeSimone	Teacher	Ordinary	Approve
18. Daniel Desenna	State	Ordinary	Deny
19. Nancy McGee	Municipal	Ordinary	Approve

On a motion by William B. Finelli and seconded by Michael R. Boyce, it was unanimously

VOTED: To approve the recommendation of the Disability Subcommittee meeting of Friday, March 6, 2015 on items 1, 2, 3, 14 and 17.

John P. Maguire recused himself from the vote on numbers 1, 2, 3, 14 and 17.

On a motion by William B. Finelli and seconded by Michael R. Boyce, it was unanimously

VOTED: To approve the recommendation of the Disability Subcommittee meeting of Friday, March 6, 2015 on items 9, 10, 13 and 18.

Claire M. Newell recused herself from the vote on numbers 9, 10, 13 and 18.

On a motion by William B. Finelli and seconded by Michael R. Boyce, it was unanimously

VOTED: To approve the recommendation of the Disability Subcommittee meeting of Friday, March 6, 2015 on items 4, 5, 6, 7, 8, 11, 12, 15, 16 and 19.

On a motion by William B. Finelli and seconded by Michael R. Boyce, it was unanimously

IX. Adjournment

There being no other business to come before the Board, on a motion by Jean Rondeau and seconded by Roger P. Boudreau, the meeting adjourned at 9:52 a.m.

Respectfully submitted,

Frank J. Karpinski
Executive Director